

Duke Energy Carolinas, LLC
DOCKET 2018-319-E
UPDATED SMITH EXHIBIT 2
FOR THE TEST PERIOD ENDED December 31, 2020
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation - Year 3
(Dollars in thousands)

Line	Description	Federal EDIT -					
		Federal EDIT - Protected SC Retail	Federal EDIT - Unprotected, PP&E related SC Retail	Unprotected, non PP&E related SC Retail	Deferred Revenue SC Retail	NC EDIT SC Retail	Total SC Retail
		(A)	(B)	(C)	(D)	(E)	(F)
1	Regulatory liability including gross up for Year 2 Rider calculation	[1] \$ (396,364)	\$ (256,171)	\$ (59,259)	\$ (52,095)	\$ (69,620)	\$ (833,509)
2	Annual Amortization (includes 7 months of actual and 5 months of projected)	[3] 14,951	13,483	14,815	13,024	17,405	73,677
3	Regulatory liability including gross up for Year 3 Rider calculation (L1 + L2)	\$ (381,413)	\$ (242,689)	\$ (44,444)	\$ (39,071)	\$ (52,215)	\$ (759,832)
4	Allocation to SC Retail excluding Greenwood	[4] 99.68%	99.68%	99.68%	99.68%	99.68%	
5	Regulatory liability for federal tax change including gross up for SC Retail excluding Greenwood (L3 x L4)	\$ (380,181)	\$ (241,905)	\$ (44,300)	\$ (38,945)	\$ (52,046)	\$ (757,377)
6	ARAM rate (applied to original balance)	[2] 3.55%					
7	Remaining amortization period	25.75	18	3	3	3	
8	Annual amortization amount excluding Greenwood	[5] \$ (14,902)	\$ (13,439)	\$ (14,767)	\$ (12,982)	\$ (17,349)	\$ (73,439)

Notes:

- [1] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 2, Exhibit 1, Page 1, Line 8
- [2] Provided by the Tax Department
- [3] Per book amortization June 2020 - December 2020 plus projected amortization Jan 2021 - May 2021
- [4] Allocation - SCRGW - NETPLT w Nfuel
- [5] Annual amortization for protected is actual and projected amortization (Line 2) x SC retail allocation (Line 4). Annual amortization for remaining categories is regulatory liability for Year 3 (Line 5) divided by remaining amortization period (Line 7)

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Line	Cost of Capital per Smith Exhibit 1	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
1	Debt	47.00%	4.53%	1.60%
2	Equity	53.00%	9.50%	5.04%
3				6.64%
4	Statutory Tax Rate			24.95%
5	Retention factor for SC license tax, PSC Utility Assessment Fee			99.47%

Annual Rider Calculation

Amortization - From Page 1, L8

Line	Year	Beginning Balance (A)	Federal EDIT - Protected (B)	Federal EDIT - Unprotected, PP&E related (C)	Federal EDIT - Unprotected, non PP&E related (D)	Deferred Revenue (E)	NC EDIT (F)	Total Amortization (G) =(B)+(C)+(D))+(E)+(F)	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) / 2	EDIT Balance in Base Rates [1] (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	True-up for sales volume [2] (M)	Rider Revenues (N) = (G) + (L) + (M)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
6	Jun 19- May 20	(862,445)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(801,821)	(832,133)	(818,340)	(13,793)	(916)	-	(61,540)	(61,814)
7	Jun 20- May 21	(830,816)	(10,206)	(13,439)	(14,767)	(12,982)	(17,349)	(68,743)	(762,073)	(796,444)	(818,340)	21,896	1,454	(211)	(67,499)	(67,838)
8	Jun 21- May 22	(757,377)	(14,902)	(13,439)	(14,767)	(12,982)	(17,349)	(73,439)	(683,938)	(720,657)	(818,340)	97,683	6,486	(2,491)	(69,444)	(69,816)
9	Jun 22- May 23	(683,938)	(14,902)	(13,439)	(14,767)	(12,982)	(17,349)	(73,439)	(610,499)	(647,219)	(818,340)	171,122	11,362		(62,076)	(62,409) [3]
10	Jun 23- May 24	(610,499)	(14,902)	(13,439)	(14,767)	(12,982)	(17,349)	(73,439)	(537,060)	(573,780)	(818,340)	244,561	16,239		(57,200)	(57,507) [3]

[1] Docket No. 2018-319-E, Updated Smith Exhibit 2 (Directive), Page 1, L1 x L6

[2] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 2, Page 1, L17

[3] The rider amounts for years 4 and 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in Smith testimony by March 31 for Commission approval.

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SOUTH CAROLINA RETAIL
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(Dollars in thousands)

True Up for Actual Sales Volume January 2020 - May 2020

Line	Description						
1	Rider EDIT-1 (SC) decrement rate (\$/mWh)	[1]	(4.59300)	(2.76900)	(1.72800)	(11.12200)	
2	Total Year 1 EDIT Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee	[2]	\$ (61,814)	\$ (61,814)	\$ (61,814)	\$ (61,814)	
3	Total Year 1 Federal EDIT Protected Amortization	[3]	\$ (10,361)	\$ (10,361)	\$ (10,361)	\$ (10,361)	
4	Rider EDIT-1 (SC) decrement rate, excluding Protected (\$/mWh) (1 - L3 / L2) * L1)		(3.82311)	(2.30486)	(1.43835)	(9.25771)	
5	Mwh sales (January 1, 2020 - May 31, 2020)	[4]	2,519,514	2,207,663	3,318,566	20,275	
6	Actual EDIT decrement rider revenue (L4 * L5 / 1,000)		\$ (9,632)	\$ (5,088)	\$ (4,773)	\$ (188)	\$ (19,682)
7	Per books amortization, excluding Protected, plus rider return	[5]					\$ (21,439)
8	Year 1 true-up (L7 - L6)						\$ (1,757)

True Up for Actual Sales Volume June 2020 - December 2020

Line	Description						
9	Rider EDIT-1 (SC) decrement rate (\$/mWh)	[6]	(4.83700)	(2.92200)	(1.83000)	(13.15600)	
10	Total Year 2 EDIT Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee	[7]	\$ (67,838)	\$ (67,838)	\$ (67,838)	\$ (67,838)	
11	Total Year 2 Federal EDIT Protected Amortization	[8]	\$ (10,206)	\$ (10,206)	\$ (10,206)	\$ (10,206)	
12	Rider EDIT-1 (SC) decrement rate, excluding Protected (\$/mWh) (1 - L11 / L10) * L9)		(4.10928)	(2.48239)	(1.55468)	(11.17669)	
13	Mwh sales (June 2, 2020 - December 31, 2020)	[4]	3,990,393	3,484,269	4,844,172	27,417	
14	Actual EDIT decrement rider revenue (L12 * L13 / 1,000)		\$ (16,398)	\$ (8,649)	\$ (7,531)	\$ (306)	\$ (32,884)
15	Per books amortization, excluding Protected, plus rider return	[9]					\$ (33,618)
16	Year 2 true-up (L15 - L14)						\$ (734)
17	Total true-up (L8 + L16)						\$ (2,491)

Notes:

- [1] South Carolina Original Leaf No. 67, effective for service rendered on and after June 1, 2019 through May 31, 2020
- [2] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L6, Column (N)
- [3] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L6, Column (B)
- [4] Provided by Accounting
- [5] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L6, (Column (N) less Column (B)) / 12 * 5

Duke Energy Carolinas, LLC
PSCSC Docket No. 2018-319-E
Derivation of Excess Deferred Income Tax Rider EDIT-1 Rates - Year 3
For Test Period Ended December 31, 2020

Rate Class	Rate Schedules	Revenue Requirement (\$) ¹	Annual Billed Sales (kWh) ²	Proposed Rates, Year 3 (\$/kWh)	Current Rates, Year 2 (\$/kWh)
(a)	(b)	(c)	(d)	(e) = (c) / (d)	(f)
Residential	RS, RT, RE, RB, ES	(\$32,784,801)	6,524,861,541	(\$0.005025)	(\$0.004837)
General Service	SGS, LGS, TS, OPT, BC, MP, PG, HP	(\$16,558,221)	5,018,198,591	(\$0.003300)	(\$0.002922)
Industrial	I, OPT, MP, PG, HP	(\$17,380,513)	8,195,633,341	(\$0.002121)	(\$0.001830)
Lighting	OL, NL, PL	(\$3,092,637)	209,882,509	(\$0.014735)	(\$0.013156)
		<u>(\$69,816,172)</u>	<u>19,948,575,982</u>		
		0	0		

¹ Revenue Requirement allocation is provided in Exhibit No. 4.

² Annual Billed Sales are based on 2020 Pricing & Regulatory Solutions Per Book extracted from CBIS.

Duke Energy Carolinas, LLC
PSCSC Docket No. 2018-319-E
Excess Deferred Income Tax Rider EDIT-1 Allocation - Year 3

Rider Amortization (\$): Year 3 (\$69,816,172)

Cost of Service Rate Class	Rider Rate Class	ADIT per 2019 Per Book COS (\$)¹	EDIT-1 Rider Allocated at ADIT (\$)
(a)	(b)	(c)	(d)
Rate RS_1	Residential	(\$256,367)	(\$18,241,031)
Rate RT	Residential	(\$389)	(\$27,661)
Rate RE_1	Residential	(\$204,015)	(\$14,516,108)
Rate SGS	General Service	(\$84,851)	(\$6,037,353)
Rate LGS	General Service	(\$48,470)	(\$3,448,715)
Rate OL	Lighting	(\$37,616)	(\$2,676,433)
Rate NL	Lighting	(\$0)	(\$24)
Rate PL	Lighting	(\$5,849)	(\$416,180)
Rate TS	General Service	(\$562)	(\$39,998)
Rate I	Industrial	(\$35,360)	(\$2,515,914)
Rate OPT-G	General Service	(\$98,833)	(\$7,032,155)
Rate OPT-I	Industrial	(\$208,913)	(\$14,864,600)
		<u>(\$981,225)</u>	<u>(\$69,816,172)</u>

0

¹ Accumulated Deferred Income Tax (ADIT) allocated by Rate Class in Per Book Cost of Service (COS) for test period 2019.

RIDER EDIT-1 (SC)
EXCESS DEFERRED INCOME TAX RIDER

AVAILABILITY (South Carolina Only)

Service supplied under the Company's rate schedules is subject to approved adjustments for excess deferred income taxes approved by the Public Service Commission of South Carolina. Rider adjustments are not included in the rate schedules of the Company and therefore must be applied to the bill as calculated under the applicable rate. This rider adjustment includes a one-year credit to return to customers savings associated with Excess Deferred Income Taxes resulting from the North Carolina Income Tax Rates in House Bill 989, An Act to Simplify the North Carolina Tax Structure and to Reduce Individual and Business Tax Rates. This adjustment also reduces billing rates for savings realized with The Federal Tax Cuts and Jobs Act that reduced corporate federal income tax rates from 35% to 21% effective January 1, 2018. These federal savings include a credit for deferred revenue associated with the lower tax rate and a credit for excess deferred income taxes that will be realized over the following 20 years. This rider adjustment shall be updated annually to reflect changes in deferred tax balances.

EDIT-1 RIDER ADJUSTMENT

Effective for service rendered on and after June 1, ~~2020~~2021 through May 31, ~~2021~~2022, the decremental rider adjustment for the appropriate rate classes and schedules, including revenue-related taxes and regulatory fees, shall be as shown in the following table:

Rate Class	Applicable Schedules	Billing Rate (¢/kWh)
Residential	RS, RE, ES, RT, RB	(0. 4837 <u>5025</u>)
General Service	SGS, BC, LGS, TS, OPT, MP, PG, HP	(0. 2922 <u>3300</u>)
Industrial Service	I, OPT, MP, PG, HP	(0. 1830 <u>2121</u>)
Lighting	OL, PL, NL	(1. 3156 <u>4735</u>)

RIDER EDIT-1 (SC)
EXCESS DEFERRED INCOME TAX RIDER

AVAILABILITY (South Carolina Only)

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EDIT-1 RIDER ADJUSTMENT

Effective for service rendered on and after June 1, 2021 through May 31, 2022, the decremental rider adjustment for the appropriate rate classes and schedules, including revenue-related taxes and regulatory fees, shall be as shown in the following table:

Rate Class	Applicable Schedules	Billing Rate (¢/kWh)
Residential	RS, RE, ES, RT, RB	(0.5025)
General Service	SGS, BC, LGS, TS, OPT, MP, PG, HP	(0.3300)
Industrial Service	I, OPT, MP, PG, HP	(0.2121)
Lighting	OL, PL, NL	(1.4735)